



2013 Progress & Initiatives

Tobacco Product Issues

Our tobacco companies work collaboratively to address society's concerns associated with their products.

2013 Progress Summary

- Philip Morris USA and U.S. Smokeless Tobacco Company shared perspectives and information with the Food and Drug Administration (FDA) on important tobacco product issues through written submissions, meetings and presentations. The companies made 18 submissions on proposed regulations and draft guidance documents and presented information at 24 meetings.
- Nu Mark adopted Altria's Standards for Underage Tobacco Prevention and created and executed against the company's underage tobacco prevention plan.

2014 Initiatives

- Continue to engage with the FDA and other key stakeholders on the development of tobacco product regulation, to advance tobacco harm reduction and to promote effective approaches to reducing underage tobacco use.
- Continue to execute against operating company underage tobacco prevention plans.



Altria

Marketing Practices

Our companies build relationships between brands and their adult consumers, while taking steps designed to limit reach to unintended audiences.

2013 Progress Summary

- Altria Group Distribution Company conducted an independent customer satisfaction survey among many of its retail trade partners. According to surveyed retailers, AGDC sales representatives continue to be highly ranked in terms of overall customer satisfaction when compared to other tobacco companies.
- Ste. Michelle Wine Estates developed training materials on trade marketing practices to promote compliance with state laws in major markets that are particularly complex and to supplement its nationwide trade marketing practice materials.



2014 Initiative

- SMWE plans to carry out surveys of select wholesale, retail and restaurant accounts in the United States to gauge customer satisfaction and identify areas for improvement.

Combating Illicit Trade

Our tobacco companies oppose illicit trade and dedicate resources to combat it.

2013 Progress Summary

- Continued to expand law enforcement engagement to enhance criminal enforcement against traffickers in counterfeit and grey-market (cigarettes manufactured for sale outside the United States) *Marlboro* cigarettes.
- Trained more than 1,150 Virginia law enforcement officers. Training focused on identifying illicit activity, understanding Virginia anti-smuggling laws and using Altria's Brand & Trade Channel Integrity resources to support investigations and operations.
- Implemented strategies to identify and impede online sellers of counterfeit and grey-market *Marlboro* cigarettes.
- Supported Virginia's anti-smuggling legislation enhancing penalties for cigarette trafficking violations.
- Enhanced engagement programs promoting the enforcement of existing anti-contraband laws.
- Strengthened programs to address the exportation of counterfeit cigarettes from China, improved investigative capabilities in China and ongoing engagement with Chinese government officials.



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Combating Illicit Trade *(Continued)*

2014 Initiatives

- Continue expanding law enforcement engagement to enhance criminal enforcement against traffickers in counterfeit and grey-market *Marlboro* cigarettes.
 - Continue implementing effective strategies to identify and impede online sellers of counterfeit and grey-market *Marlboro* cigarettes.
 - Disrupt the importation of counterfeit *Marlboro* cigarettes.
 - Enhance programs promoting the enforcement of existing anti-contraband laws and the adoption of additional legal requirements to deter smuggling of all cigarettes.
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Environmental Management

Our companies work to reduce their environmental impact and to promote the sustainability of natural resources.

2013 Progress Summary

- Philip Morris USA and U.S. Smokeless Tobacco Company began replacing coal-fired boilers with boilers using natural gas. In 2014, Scope 1 greenhouse gas emissions are expected to fall significantly as a result of the new boilers.
- Supported National Fish and Wildlife's Western Waters Program for voluntary in-stream flow restoration projects in the Walla Walla, Wash., and Yakima River Basins where many of Ste. Michelle Wine Estates' vineyards are located. 1.3 billion gallons of water were restored as a result of our support.
- Implemented an enhanced single-stream recycling program at the company's Richmond-area facilities and eliminated the use of non-recyclable cups and containers in our dining facilities.
- Assessed energy saving opportunities at USSTC and John Middleton facilities.
- More than 550,000 adult smokers pledged on *Marlboro.com* to help prevent cigarette litter.

2014 Initiatives

- Continue to pursue plans to achieve our 2016 environmental goals.
- Launch a new environmental grants strategy to support organic carbon sequestration.
- Assess Altria's Scope 3 greenhouse gas footprint.



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Sustainable Agriculture

Our companies work with growers to promote the environmental, social and economic stability of the agriculture supply chains critical to our businesses.

2013 Progress Summary

- Implemented the U.S. Tobacco Good Agricultural Practices (GAP) handbook with contract growers and helped create GAP Connections - a program that provides governance and oversight of the U.S. Tobacco GAP handbook and related grower training and education programs.
- Completed on-farm GAP assessments on 100 percent of domestic direct-contracted tobacco volume.
- Completed 100 percent of planned international tobacco third-party GAP assessments.
- Met with all contract growers for Ste. Michelle Wine Estates to promote compliance with GAP standards.



2014 Initiatives

- Continue to engage in multi-stakeholder forums focused on supply chain sustainability.
- Complete 100 percent of planned domestic and international GAP assessments.
- Enhance domestic and international GAP program management and related measurement systems by approaching our GAP assessment process based on performance and risk.
- Continue to assess SMWE contract growers on compliance with GAP.
- Enhance SMWE's long-term strategy to pursue leadership in sustainable agriculture.

Supply Chain Responsibility

Our companies seek to develop relationships with suppliers whose actions are consistent with our Mission & Values.

2013 Progress Summary

- Engaged with key suppliers and stakeholders to promote responsible and sustainable business practices. Our companies continue to participate on the Farm Labor Practices Group to help farmers improve their on-farm labor practices.
- Continued to build strategic partnerships with key supplier diversity groups. For example, for the second year in a row, Altria received the "Soaring Eagle" award from the Virginia Minority Supplier Development Council.



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Supply Chain Responsibility *(Continued)*

2014 Initiatives

- Meet with our companies' marketing incentive suppliers to share corporate responsibility best practices and child and forced labor prevention strategies.
- Survey key suppliers to better understand sustainability initiatives and share best practices where appropriate.
- Broaden our companies' Supplier Diversity Development program to include veteran- and lesbian, gay, bisexual and transgender-owned businesses.
- Engage with and recognize suppliers for achievements in key areas.

Our Employees

Our investment in employee development promotes a diverse and vibrant workforce, contributes to successful companies and creates substantial value for our shareholders.

2013 Progress Summary

- Conducted an organization-wide Employee Engagement Survey. It showed our engagement levels exceeded many benchmarks of high-performing norms and identified opportunities for improvement in innovation, diversity & inclusion and simplification.
- Created Employee Resource Groups (ERGs) to enhance our culture of diversity & inclusion while fostering professional and leadership development. New ERGs include the Women in Sales Network, Sí!: the Hispanic Network and Mosaic: the LGBT Network.
- Launched "Our Veterans" page on our recruitment website with tools to help veterans transition successfully into civilian life.
- Conducted Unconscious Bias training for executive leadership and many functional leaders.
- The Women's Network piloted a cross-functional mentoring program while Human Resources piloted a within-function mentoring program.
- Piloted the Executive Leadership Development System (ELDS), aimed at building the capability of our top leaders to manage the core business while innovating for the future. The program won a citation for "Facilitating Organizational Change" from the American Society for Training & Development.
- Philip Morris USA negotiated a new four-year agreement with the union representing production workers at its Richmond Manufacturing Center.
- PM USA negotiated an extension to the long-term agreements covering its union-represented employees through 2024.



Altria

Our Employees *(Continued)*

2014 Initiatives

- Implement action plans to address the opportunities identified in the Employee Engagement Survey.
- Expand the ELDS by creating a literature and speaker series to reinforce the skills and capabilities learned in the program.
- Pilot a program for directors and senior managers consistent with the objectives of the executive program.
- Conduct follow-up pulse surveys to measure progress against plans.
- Expand the reach, number and capabilities of ERGs.
- Implement enterprise-wide mentoring program.

Investing in Communities

We improve the communities where we live and work.

2013 Progress Summary

- Developed a regional giving initiative to support communities in Nashville, Tenn.; Franklin Park, Ill.; and other areas where we operate.
- Launched a volunteer challenge that increased employee volunteer participation by 52 percent.

2014 Initiatives

- Begin tracking Success360° partnership grant data. Through Success360°, Philip Morris USA, U.S. Smokeless Tobacco Company and John Middleton invest in leading national and local non-profit organizations that serve middle school kids and their families.
- Continue to provide leadership for a program providing a quality after-school program for middle school students in the Richmond Public Schools.
- Build an online system to connect employees to community service opportunities.
- Recognize outstanding employee volunteers.



Altria

Governance & Compliance

We strive to promote and support a culture of compliance and integrity that prevents issues of non-compliance and encourages employees to always do the right thing.

2013 Progress Summary

- Conducted “Leading with Integrity” training for approximately 300 officers and senior leaders to reinforce key value-based leadership behaviors.
- Established an Anti-Corruption Compliance working group; expanded workshops and training focused on further embedding these topics into our Code of Conduct and policy system; and enhanced third-party due diligence.



2014 Initiatives

- Mitigate key risks connected to business strategies, including in areas of Anti-Bribery/Anti-Corruption, Data Security and Supply Chain Management.
- Continue to build compliance and integrity-related capabilities of our middle managers.
- Use case studies and other communication tools to reinforce employee confidence in our reporting and investigation processes.
- Continue to improve and simplify compliance and integrity-related infrastructure, including our companies’ policies and compliance training.



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